

DEPARTMENT OF CULTURE,
RECREATION AND TOURISM
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED AUGUST 16, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
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STEVE J. THERIOT, CPA
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July 24, 2006

**DEPARTMENT OF CULTURE,
RECREATION AND TOURISM
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Culture, Recreation and Tourism for the period from July 1, 2004, through July 24, 2006. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Department of Culture, Recreation and Tourism were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Lack of Controls Over Museum Artifacts
Loaned to the State for Exhibition**

The Department of Culture, Recreation and Tourism does not perform a periodic inventory of the museum artifacts that have been loaned to the department for exhibition nor does the department maintain a comprehensive inventory listing of these loaned artifacts. An artifact is loaned to the department through an executed loan agreement, which identifies the artifact, the loan period, and the artifact's fair market value. Good internal control procedures require that property entrusted to the state for exhibition be inventoried to ensure it is adequately safeguarded against losses from theft or damage.

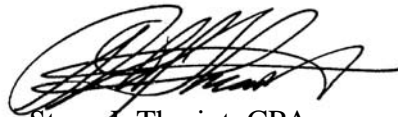
The department estimates that it has over 4,000 loan agreements dating back to 1906. We reviewed 53 loan agreements dated from 2001 through 2005, representing artifacts valued at \$1,096,702, and we examined artifacts for 23 of these loan agreements. Although we either located the artifacts or obtained and reviewed support for artifacts returned to the owners, failure to inventory loaned artifacts increases the risk that losses resulting from theft or damage could occur and remain undetected.

Management of the department should inventory all artifacts currently on loan; perform regular, periodic physical inventories of loaned artifacts; and maintain a comprehensive, current inventory listing to ensure accountability for the artifacts. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action.

This report is intended solely for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Steve J. Theriot', is written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

BSL:CGEW:THC:ss

[CRT06]

Management's Corrective Action
Plan and Response to the
Finding and Recommendation



MITCHELL J. LANDRIEU
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR
DEPARTMENT OF CULTURE, RECREATION & TOURISM
OFFICE OF THE SECRETARY

ANGÈLE DAVIS
SECRETARY

July 25, 2006

Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

In response to the notice of your reportable audit finding on controls over artifacts on loan to the state, we have reviewed the finding and submit the following management comments.

Lack of Controls Over Museum Artifacts Loaned to the State for Exhibition

The department concurs with the audit finding which cites the Office of State Museum for not maintaining a comprehensive inventory of loaned artifacts. The reasons for the lack of such an inventory are complex, stretching back over the course of a century and involving evolving collection management practices, previous efforts to resolve the issue that were interrupted by budget and staff reductions, and most recently the effects of Hurricane Katrina.

As stated in the audit finding, these loan agreements date back to 1906. Collection management standards have changed dramatically over the past century and documentation such as formal loan agreements is, unfortunately, not available for all artifacts loaned to the Office of State Museum. Relevant paperwork simply does not exist because in some cases it was not generated at the inception of the loan. Loans that were received prior to the 1970s typically had no loan end date and were therefore considered permanent loans. Since there were no professional registrars or curators at the time, such objects can only be partially tracked through the accession minutes of the board. The entries in these minutes do not contain descriptions of the objects, and in some cases refer to groups of objects without identifying the individual items in the groups in any useful way. In addition, the return of loaned objects was not always noted in the minutes. Beginning in the 1960s, the first professional museum staff was hired by the Office of State Museum. Rudimentary loan tracking began at that date, with most of the earlier loans still being permanent or long term. In the 1980s, greater attention began to be paid to the review of loans.

Over the past twenty years, the curatorial staff of the Office of State Museum has been significantly reduced, with the loss of positions including the Inventory Manager, the Loan Resolution Manager, the Science/Technology Curator, Historical Center librarians, and the Special Projects Curator. This has resulted in the lack of sufficient staff to regularly dedicate time to inventorying and addressing routine collection management practices.

Over the past fifteen years, the Office of State Museum has taken several steps to resolve loan issues, including the following:

- In 1991, staff was hired to conduct a comprehensive inventory of the collection for the first time, a process that took four years to complete. During the inventory, a large quantity of objects with limited documentation, or in some cases none, was identified. Also, many long-term loans in need of resolution were rediscovered.
- In 1995, a staff member was hired to concentrate on loan resolution. The result of this work, which spanned more than two years, was a list of loans, the objects associated with the loans that were found in the collection, and lender identification. Some objects remain unresolved.
- The next step was to contact the lender and ascertain the lender's preference: extension of the loan, return of the loaned item, or transfer of the item permanently to the Office of State Museum as a gift. This task met with limited success, as most of the lenders had died and in many cases next of kin could not establish clear title.
- On occasion, when an item is in need of treatment or conservation and is slated for exhibition, we have advertised items in accordance with RS 25:345(c).

Hurricane Katrina created another challenge to inventorying loaned artifacts. As a result of damages caused by this storm, 60% of the museum's collections, which were stored in the Old U.S. Mint in New Orleans, were transferred to a 20,000 square foot temporary warehouse in Baton Rouge. Only three curators were able to return to New Orleans to provide supervision for this emergency move; consequently the specific locations of many of the items are not known. Although these items are not lost, this would make it impossible to inventory this large percentage of the collection at this time, even if sufficient staff were available to perform an inventory. Currently, the top priorities of the collection management staff include identifying damage done to the collections, planning for necessary conservation work, and planning for and implementing the relocation of the collections from Baton Rouge to safe storage in New Orleans.

Information on loans are currently maintained in three different formats reflecting the evolution of record keeping in the museum field:

- Records for the earliest loans appear in ledger books
- Since the middle of the twentieth century, vertical files have been kept on newer loans.
- Most recently staff members have created electronic files in the museum's database for loans, with 4,096 individual loans currently recorded in this database. Access to information on these items is easier to obtain than information on older loans, which are often represented only by manual ledger entries or notes contained in files.

Resolution of 100 years worth of loans to the Office of State Museum will be a complex and time consuming endeavor. We recognize that completing a comprehensive inventory of these loaned artifacts is the best method to track and safeguard these items, and this remains our goal. As noted above, such an effort was initiated a number of years ago and then abandoned for budgetary reasons. Our objective for resolving the status of loans includes the creation of electronic files on all identifiable loans, which would facilitate future inventorying of the collection. We continue to work on this as time and availability of staff permits. It is estimated that a comprehensive physical inventory of all of the loans to the Office of State Museum would require the work of four full-time employees for two years, with one employee needed for an additional year in order

Steve J. Theriot, CPA
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to resolve title issues. Resolution would involve placing ads in appropriate newspapers in accordance with RS 25:345(c), after which efforts could be made to either return the loans or convert them into gifts. Legal counsel may be required for this step. In an attempt to obtain the necessary resources to achieve our goal, we will include a request for additional staff and related funding in our annual Budget Request. Our plan, once the comprehensive inventory of all loaned items is completed and the database is updated, is include loaned items from this in our regular physical inventory.

Please advise if this plan meets with your approval. If I can provide any further information prior to the issuance of your audit report, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Angèle Davis', written in a cursive style.

Angèle Davis
Secretary